

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§ CASE NO. 20-33948-H1-11
	§ (JOINTLY ADMINISTERED)
FIELDWOOD ENERGY, LLC and	§ HOUSTON, TEXAS
DYNAMIC OFFSHORE RESOURCES,	§ TUESDAY,
LLC,	§ AUGUST 4, 2020
DEBTORS.	§ 1:28 P.M. TO 3:50 P.M.

TELEPHONIC FIRST DAY HEARINGS

BEFORE THE HONORABLE MARVIN ISGUR
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:	SEE NEXT PAGE
COURTROOM DEPUTY/ERO:	RECORDED THROUGH COURTSPEAK NO LOG NOTES

(Audio distortion and glitches noted.)

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EXHIBITS:	<u>Marked</u>	<u>Offered</u>	<u>Admitted</u>
(None offered.)			

...

1 HOUSTON, TEXAS; TUESDAY, AUGUST 4, 2020; 2:10 P.M.

2 THE COURT: All right. We are going to call the
3 Fieldwood case. It is first day hearings, it is Case Number
4 20-33948. We've taken electronic appearances. Let's start
5 with Debtor's counsel. I'll have Debtor's counsel to make any
6 opening statement that it wishes to make and then we will move
7 on from there and allow other people to make opening
8 statements, then we'll move into an evidentiary record.

9 Mr. Perez, go ahead, please.

10 MR. PEREZ: Good afternoon, Your Honor. Alfredo
11 Perez. Can you hear me?

12 THE COURT: Yes, sir, I can.

13 MR. PEREZ: Your Honor, before we get started I
14 wanted to express my profound condolences to the Court family.
15 Today I was very saddened by the news this morning.

16 THE COURT: As we all were.

17 For those of you who that have not received the
18 news, an individual that has been a long-term -- time member
19 of the United States Trustee's Office passed away yesterday
20 from COVID, and it's a really sad day here at the Court and I
21 appreciate you bringing that up, and expressing your
22 condolences not only to her family, but also to other members
23 of the US Trustee's staff.

24 So, thank you, Mr. Perez.

25 MR. PEREZ: Thank you, Your Honor.

1 Your Honor, first of all we want to apologize for
2 not being able to conclude all the filings in a more timely
3 manner. We literally worked overnight to get the RSA
4 finalized as well as the DIP motion. And, Your Honor, you
5 know, had we been able to file this hours earlier, we would
6 have. And we filed it as quickly as we could once the items
7 were finalized. So we do ask for your indulgence. And
8 obviously are prepared to understand, you know, the Court's --
9 any direction that the Court may have with respect to that.

10 Your Honor, we'll begin --

11 THE COURT: So just so you know where I am,
12 Mr. Perez, I did read both of the declarations that got filed.
13 I will tell you that the larger declaration, the one by your -
14 - the head of your leadership team, I don't know that I
15 absorbed every sentence of that because I had to read it
16 pretty quickly while I was eating lunch, so reading the
17 motions without that didn't make as much sense as reading that
18 first. So I may need to take a little more time as we go
19 through orders to be sure that we get them done right. I have
20 though read them both completely, but not what I would call
21 thoroughly because of the press of time.

22 MR. PEREZ: Thank you, Your Honor. And we do
23 apologize for that. Both Mr. Dane and Mr. Hanson (phonetics),
24 who are our two declarants, are on the line, I can see their
25 pictures, and we're certainly happy to submit them to cross-

1 examination or direct exam as the Court wishes to meet our
2 evidentiary burden.

3 Your Honor, once again I've only been asked to do
4 the joint administration which the Court has already granted,
5 and I will turn it over to my partner, Mr. Barr, who will give
6 a little introduction of the case. And then after that, Your
7 Honor, we will move into the various substantive motions with
8 the Court's permission.

9 THE COURT: Well, Mr. Barr, why don't we do that. I
10 know that we have others that may want to make an opening
11 statement, Mr. Wallander has already asked to speak. So I
12 will start with you, but before we get into any evidence I
13 want to be sure that everyone else has a chance to make any
14 opening statement that they want to make.

15 Mr. Dane, I do see you there, and I did read you
16 declaration. It just is taking a while to absorb it, it was a
17 pretty heavy piece, that I understand why it took a little
18 while to get it written.

19 So, Mr. Barr, let me get your line activated.

20 MR. PEREZ: And thank you, Your Honor. I think
21 we're going to try one more time for Mr. Carlson to be the
22 presenter.

23 THE COURT: All right. Will he present to Judge
24 Jones or to me?

25 MR. PEREZ: Probably neither, Your Honor, based on

1 his track record.

2 (Laughter.)

3 THE COURT: Let's see, I am -- Mr. Barr. Mr. Barr,
4 I need you to press five star on your phone if you would,
5 please, so that I can get your audio going.

6 And, Mr. Carlson, I will pass the presenter role on
7 over to you. So, Mr. Carlson is now the presenter. Let me
8 get Mr. Barr's line activated.

9 Mr. Wallander, I see that you put your request to
10 speak down, but please feel free to raise it again when the
11 time comes.

12 (Pause in the proceedings.)

13 THE COURT: All right. Mr. Barr, we should have you
14 activated at this point.

15 MR. BARR: Thank you, Your Honor. It's Matt Barr
16 from Weil Gotshal. Can you hear me okay, Judge?

17 THE COURT: Yes, sir, I can.

18 MR. BARR: Great. Thank you.

19 And I apologize, Your Honor, I'm on a cell phone
20 unfortunately here in New Jersey. We had a power outage so
21 (glitch in the audio).

22 THE COURT: Actually, Mr. Barr, I can't hear you.

23 I heard him say he was on a cell phone and might
24 have a bad connection and that was all I heard. So what do
25 you want to do, Mr. Perez?

1 MR. PEREZ: Your Honor, they're having a power
2 outage up there. Let's see if we can -- because of the
3 hurricane, so maybe Mr. Barr could try again, otherwise I
4 think I could probably take you through it.

5 THE COURT: We'll certainly accommodate whatever you
6 all need to do, and, Mr. Barr, do you want to give it another
7 shot, and if not, do you want to just wait a few minutes. You
8 all tell me what we can do.

9 Mr. Barr, can you hear me?

10 MR. BARR: (No audible response.)

11 THE COURT: I don't think he's hearing anything.
12 Oh, wait, his line got muted somehow and I'm going to -- maybe
13 he dialed back in, let me try him again.

14 Mr. Barr, let's try that again.

15 MR. BARR: Yes. Can you hear me now, Judge?

16 THE COURT: I can hear you, yeah.

17 MR. BARR: Great. This time it wasn't Mr. Carlson's
18 fault. I guess it was my fault, the Verizon up here in New
19 Jersey. So good track record, but I do apologize, Judge, for
20 being on the cell phone, and I guess it proved me right
21 because we have a power outage up here in New Jersey given the
22 storms.

23 THE COURT: Yeah, may I --

24 MR. BARR: I'm hoping you can hear me okay.

25 THE COURT: Yeah, I can. I always hear that

1 hurricanes are worse in New York than they are in other parts
2 of the country.

3 (Laughter.)

4 MR. BARR: (Glitch in the audio.)

5 THE COURT: You're gone again.

6 MR. PEREZ: Okay.

7 THE COURT: Mr. Perez, you better decide how you
8 want to handle this. I don't mind if you want to wait a few
9 minutes and let the storm pass and we'll come back, you tell
10 me.

11 MR. PEREZ: No, we're fine. No, no, Your Honor, I
12 think we can probably -- I think we can probably proceed. So
13 if you would, can you -- so, Your Honor, I wanted to just give
14 you a brief introduction to Fieldwood. As the Court is aware,
15 this is our second Chapter 11 filing. We're a privately held
16 company, and all of our assets are in the Gulf of Mexico.
17 We're one of the very largest operators of offshore assets.
18 We have over 300 operated platforms and it covers a huge
19 expanse from the Texas border almost all the way to Alabama.

20 Your Honor, we have basically three sets of assets.
21 We have the deep water assets, which we purchased from Apache
22 in connection with the last bankruptcy. We also have what we
23 refer to as the legacy Apache assets, which form the basis of
24 the company. Those were purchased in 2012 and that's about --
25 a little bit more than two-thirds of the what we call the

1 shelf assets. And, Your Honor, technically everything is on
2 the shelf, but when we talk about shelf we're talking about
3 shallow water as opposed to deep water. And then in addition
4 to the Apache shelf assets we also have additional shelf
5 assets. In fact, Your Honor, some of those were acquired from
6 Sandridge, which I believe was in your court at one time.

7 So those are the three -- basically the three sets
8 of assets that we have. We have approximately 635 employees
9 in Houston and Lafayette, but the bulk of our employees and
10 the bulk of the people that we retained are offshore in this
11 vast, you know, in this vast region that we operate.

12 We have -- we are the operators, Your Honor, of over
13 95 percent of our asset base, and although we've had some
14 very, very trying times earlier this year as a result of the
15 commodity price, we still produce almost 80,000 barrels per
16 day in the first three months of 2022 (sic).

17 Your Honor, one of our -- one of the things that
18 this company has done very well is that we have an extensive
19 plug and abandoning and decommissioning program. We probably
20 plug and abandon more wells than most companies have in the
21 Gulf, and we do that, you know, officially and in a very
22 workman-like and efficient manner.

23 Turn to the next page.

24 Your Honor, this -- I know that you probably saw
25 this in Mr. Dane's declaration, but this gives you an idea of

1 the expanse of our footprint in the Gulf and the various --
2 all of the various platforms and wells.

3 Turn to the next page.

4 So, Your Honor, after our 2018 bankruptcy, the
5 company significantly de-levered and we nevertheless ended up
6 with almost \$2 billion worth of debt, a little under \$2
7 billion worth of debt. We have picked a first lien that has a
8 first lien, first out, and then the first lien term loan,
9 which we referred to that, and then we have a second lien.
10 Your Honor, this is a pictorial graph, I suspect we might come
11 back to that at some time during the case, but it's probably a
12 little too small to see on the screen.

13 So turn to the next page.

14 So why are we here. Your Honor, I think the Court
15 is well aware just because of the volume of business that
16 exists today in our bankruptcy courts in Houston that, kind of
17 the combined effect of the decline in oil prices, many, many
18 multiple of which happened over one weekend back in March or
19 late February, as well as the impact of the global pandemic
20 that really deteriorated -- have really deteriorated the
21 price.

22 The company took very significant steps to mitigate
23 this drop in commodity price, but they proved not to be
24 sufficient. The company shut in 29 of the production
25 platforms, there was reductions in force, all employees that

1 made over 150,000 took a 10 percent salary cut, and we
2 implemented much stricter purchasing programs and vendor
3 management programs. As a result of all of that and
4 unfortunately the bad press, there was an article in the *Wall*
5 *Street Journal* yesterday that we're about to imminently file
6 bankruptcy which had some repercussions. Many of the vendors
7 and the surety providers in which we have significant opt-outs
8 have expressed their concern and have taken actions to either
9 limit their exposure or obtain collateral.

10 Your Honor, our capital structure, we have the first
11 lien, the first-out loans which are funded in the amount of
12 139 million. There is about 8- or \$9 million of letters of
13 credit, so sometimes you will see that the FLFOs, as we refer
14 to them, sometimes their exposure is 147 and that includes 139
15 million in funded debt plus the LC. The pre-petition first
16 lien term loan we -- those are approximately a billion forty-
17 three, and then our second lien term loans are a little over
18 500 million.

19 THE COURT: Let me interrupt you for a second.

20 MR. PEREZ: Sure, Your Honor.

21 THE COURT: This table --

22 MR. PEREZ: Yes.

23 THE COURT: -- I believe uses different
24 nomenclature than in the declarations, and I just want to be
25 sure that I've got the right liens with the right initials.

1 What is denominated on here as pre-petition first lien term
2 loans are the FLFOs in the declaration, and what are
3 denominated as the FLFO's are actually the FLTLs in the
4 first --

5 MR. PEREZ: Yeah.

6 THE COURT: -- in the declarations. And if I'm
7 incorrect about that, then I'm incorrect about what I figured
8 out when I was reading stuff. So I want to be sure that this
9 is different than what I read, but that I've got the right
10 actual structure in my mind.

11 MR. PEREZ: You absolutely do, Your Honor. I
12 apologize, but we were -- we just didn't have time to make
13 everything the same.

14 THE COURT: I'm not -- I'm not worried about it from
15 that point of view, I'm worried about it to be sure I know
16 what structure I'm dealing with.

17 MR. PEREZ: Yes, Your Honor.

18 THE COURT: So I've got some first-out term loans of
19 about 140 million, and I've got some regular term loans that
20 are not first out that are about 1.1 billion --

21 MR. PEREZ: Right.

22 THE COURT: -- in that range.

23 MR. PEREZ: Correct, Your Honor. And just so the
24 Court understands who we're talking about, the 140 million is
25 primarily Goldman Sachs Cantor, primarily Goldman Sachs, and

1 that's represented by Mr. Wallander. Whereas, the billion one
2 forty-three and the five eighteen, which are kind of together,
3 they're represented by Davis Polk, Mr. Shuriat (phonetic), as
4 well as Mr. Schaible. They represent those -- the entities,
5 both below that. So those are the persons.

6 And the other key party is Apache, Your Honor, and
7 that's represented by Ms. Robin Russell of Hunton Andrews &
8 Kurth. So those are kind of the three parties-in-interest in
9 this case.

10 So next page, please.

11 So, Your Honor, I think that this slide basically
12 shows that, you know, beginning in March we began engaging
13 with the lenders, we tried to do some management transactions,
14 we entered into multiple forbearance agreements trying to come
15 up with an out-of-court solution. We were unable to do that,
16 and so we have forbearances literally through Sunday and then
17 through yesterday in order to be able to file.

18 Back in June of this year Houlihan, who had been
19 retained a couple of months earlier, actually started a base
20 sales and marketing process for the deep water assets, and
21 that marketing process is continuing and will be -- in essence
22 be brought in parallel with the other milestones that we have
23 in the case.

24 Next slide, please.

1 So what is it that we want to accomplish? Your
2 Honor, key to us is trying to in essence rationalize the three
3 sets of assets. I think the fundamental cornerstone of our
4 restructuring is going to be the transaction that we're going
5 to do with Apache that's reflected in the Apache term sheet
6 that was accepted. And the arm's length negotiations with
7 Apache represented by counsel, represented by their investment
8 advisor, that term sheet was signed last Friday, and we've
9 been working together.

10 Second, Your Honor, we have an RSA with
11 approximately 67-1/2 percent of our first lien term lenders.
12 Here we use the other nomenclature. And approximately
13 25 percent of the second lien term lenders, and, Your Honor,
14 many of those are cross-over lenders that have positions in
15 both places. And they -- the first lien term lenders have
16 provided
17 \$100 million of DIP financing that will be the subject of one
18 of the motions.

19 The goal of these cases is obviously to maximize
20 value, to preserve jobs and -- but a third -- a fourth very
21 important party are the regulators of both BOEM and BSEE, and
22 so are one of our key incentives to ensure that the P&A
23 obligations are handled in a responsible manner, you know,
24 with their consent and approval.

25 So turn to the next page, please.

1 So, Your Honor, in connection with the RSA we have
2 certain milestones and basically I think that in essence we're
3 going to run a dual fact process. One of the milestones will
4 help, I'll highlight a couple of them. We did 75 days, we
5 want to have definitive documentation with Apache. We also
6 want to have a plan and Disclosure Statement to handle the bid
7 procedures motion on 75 days. That basically gives us two and
8 a half months. Then after that, Your Honor, we run, you know,
9 depending on what path we go -- and, Your Honor, we take up
10 both paths because if the trail that is currently contemplated
11 is just of the deep water assets, so there will be other
12 assets to be disposed of and to address and to reorganize.

13 So, Your Honor, we have in essence, you know, a
14 nine-month process. We're hoping very much that we're able
15 to, you know, exit bankruptcy in the first quarter of next
16 year, we certainly don't want to be around for nine months.
17 But we do have a sufficient time. A lot of the items that
18 we're planning on doing, you know, are not dependent. We are
19 in control, dependent on cooperation and agreement by other
20 parties.

21 So with that, Your Honor, unless the Court has any
22 questions, I would turn it over I think to anyone else.

23 THE COURT: Well, let me go back to Mr. Barr, and
24 since you were having to sub for him, see if Mr. Perez blew
25 it, Mr. Barr.

1 MR. BARR: Can you hear me okay, Judge? I want to
2 make sure I'm getting this right.

3 THE COURT: I can because you haven't discounted now
4 in about 20 minutes and you were disconnecting every minute or
5 two before, so.

6 MR. BARR: And now it's sunny out, so I don't know
7 what's going on. No, it was -- I had nothing else to cover
8 other than just to remind Mr. Perez if I get cut off after
9 other openings to make sure we move the declarations into
10 evidence, and then turn everything over to Mr. Carlson. But
11 thank you, Judge, for asking.

12 THE COURT: All right. Thank you.

13 So I know that we did have some people that wanted
14 to make comments. Mr. Wallander, let me go ahead and activate
15 your line. Are you able to hear me all right, Mr. Wallander?

16 MR. WALLANDER: (No audible response.)

17 THE COURT: Mr. Wallander, if you have your own line
18 muted, or just don't want to talk to me anymore, that's okay,
19 but we're not hearing you.

20 MR. WALLANDER: I was on mute, Your Honor. I did
21 that for appearances purposes. I don't have an opening
22 statement. We are working with the Debtors and with the other
23 first-day lenders to see if we can get something sorted out in
24 the matter, and hopefully we'll work forward on a consensual
25 basis with each other. Thank you.

1 THE COURT: Mr. Wallander, thank you. You did file
2 your electronic appearance, so you have appeared, as has
3 everyone that has does that. If anyone failed to do an
4 electronic appearance, it's not too late, go ahead and do it.

5 Let me see who else might want to make a comment.
6 Mr. Eisenberg, I saw you watching and was surprised you were
7 being silent. So go ahead, please.

8 MR. EISENBERG: Your Honor, did you say my name?

9 THE COURT: I did, yes, sir.

10 MR. EISENBERG: Thank you, Your Honor. Philip
11 Eisenberg on behalf of the US Specialty Insurance Company. We
12 are one of the surety companies that extend over a billion
13 dollars in financial accommodations to Fieldwood in this
14 matter, Your Honor. And we're still trying to figure out what
15 happened. We understand you have to start somewhere, and
16 things have to get filed and people have to read things.

17 But we're just not sure yet what the Debtors are
18 asking for today, and we certainly don't feel that on this
19 short notice that our rights are being impaired in any way. I
20 also represent a joint interest owner, WNP, and really haven't
21 had time to look through the interim order to make sure that
22 any of our lien rights, recoupment rights, set off rights and
23 rights of that nature would also be fully preserved, and don't
24 want to be -- have any marshaling issue on an interim order
25 affect us.

1 We're listening very carefully here. We do see a
2 little bit of a lack of transparency. We're reading as fast
3 as we can, Your Honor, but in the budget we can't tell during
4 the nine months what the company is proposing to do with
5 regard to actually performing its current P&A obligations. We
6 do know that they are a very good company and they do act very
7 responsibly and they do their P&A, and having read what they
8 have, I did see that they do have provisions for actually
9 doing P&A during the process. But we don't have any
10 transparency into what's going to happen there, Your Honor.
11 It's very much like the first-day in the ATP hearing.

12 So I just wanted to kind of raise that with the
13 Court right now because of the timing. And they've been at
14 this for several months and we've had a couple of hours, and
15 we're doing the best we can.

16 THE COURT: Thank you, Mr. Eisenberg. I'll just let
17 you take those one step at a time as we get to them. My
18 understanding though is that the fundamental piece that we're
19 being asked to do today is a non-roll up DIP approval on an
20 interim basis where there would be cumulative draws under the
21 interim period that could total 15 million and then a short
22 draw of 10. It's not rolled up, but essentially it is
23 priming. I don't know whether it primes anything that you all
24 have, and the fees on it I did in my head, I think they're
25 about 9- of the \$10 million. So --

1 MR. EISENBERG: Well, I didn't want to get into
2 those details, Your Honor, but I did the same math and I asked
3 the question: Why do we need this interim debt at this point
4 right now on such short notice? But I'll leave that --

5 THE COURT: All right.

6 MR. EISENBERG: -- alone.

7 THE COURT: All right. Thank you.

8 Ms. Russell, I see that you have visually appeared.
9 Let me see if you've also pressed five star on your line. If
10 you wish -- I have somebody from the 917 area code, I'm going
11 to go ahead and recognize them. I don't think that's you,
12 Ms. Russell. If you wanted to talk, let me get you to press
13 five star.

14 From 917-602-9986 who do we have?

15 MS. TSIOURIS: Yeah, hi, Your Honor. Good
16 afternoon. It's Natasha Tsiouris from Davis Polk & Wardwell.

17 THE COURT: Good afternoon again, Ms. Tsiouris.

18 MS. TSIOURIS: Good afternoon. Well, I just wanted
19 to take a moment to make a few brief statements before we
20 launch into the rest of the presentation and just explain
21 that -- our group is who we represent here.

22 So the Ad Hoc Group represents (indiscernible)
23 covered it, but approximately 67 percent of the first lien
24 term loans, 25 percent of the second lien term loans. This
25 group has been a group of lenders who have been working with

1 the company, many of them have been working with the company
2 in its last restructuring, and they've been involved in quite
3 some time. They've had been working very constructively the
4 company.

5 This particular group started to form in early March
6 when the company approached its lenders about a potential
7 waiver under various credit agreements. And they group came
8 together very quickly and very cooperatively to help to
9 provide that waiver. And then also Mr. Perez covered in his
10 statement, you know, after the negotiations the first lien
11 lenders and the second lien lenders that are approved are
12 reaching forbear on the interest payments because the company
13 (indiscernible) and to show further to the board for the
14 company's long term success.

15 A few weeks after that we signed the forbearance
16 agreements and also found out the person to which they quickly
17 got to work going through diligence materials that are being
18 (indiscernible) diligence session with advisors. And the
19 lenders that have led up to the RSA.

20 There is -- remains a lot of work to be done. We
21 are confident that the company, Apache, and our group have
22 accomplished a great deal the past few months, and again,
23 Mr. Perez noted, you know, the agreement that was reached in
24 principle with Apache with respect to (indiscernible)
25 obligation, and the Apache assets that were conveyed to the

1 Debtor in 2013 was pretty remarkable and came together very
2 quickly and our group is fully supportive of. But obviously,
3 as we've seen, reaches backstop \$100 million DIP financing
4 that ensured that the company will transition (indiscernible)
5 keep it and give that company -- that they want assurance that
6 they'll have sufficient liquidity going forward to restructure
7 the operation properly and to do it over the next few months,
8 which we think gives the company enough time to adequately
9 repay all of its stakeholders.

10 And, you know, we do intend to work quickly, but we
11 don't want the company (indiscernible) obviously, and we think
12 that the liquidity share provided on day one gives the company
13 that assurance and comfort that it can work through all the
14 other creditors in addition.

15 So we do, you know, have a very strong commitment to
16 this company, and we do recognize that a lot of work remains
17 to be done under the RSA. But we think it was a very
18 significant achievement and request to continue to be partners
19 with the Debtors on a go-forward basis, so.

20 THE COURT: All right. Ms. Tsiouris, thank you for
21 that opening.

22 MS. TSIOURIS: Thank you.

23 THE COURT: From 802-843-1260 who do we have?

24 MS. RUSSELL: Good afternoon, Your Honor. This is
25 Robin Russell representing Apache Corporation and certain of

1 its affiliates. And Mr. --

2 THE COURT: So, Ms. Russell, I'm going to interrupt
3 you for a minute. So this morning, or this afternoon I guess,
4 when I started reading about what this case was about, I have
5 no idea whether the deal with Apache works technically,
6 whether I should approve it. But I said to myself, what
7 brilliant person from Apache decided this was the right thing
8 to do, this is such a good move to get an up front for having
9 to do the P&A and get that solved instead of cases where it
10 becomes the last issue resolved. And now I know, so.

11 MS. RUSSELL: Well, thank you, Your Honor. Apache
12 has a very savvy general counsel, Anthony Lannie, have worked
13 very hard over the last few months with our team which
14 includes not only Hunton Andrews Kurth, but Parkman Whaley as
15 our financial advisor, and P.J. Goodwine of Looper, who is our
16 special BOEM and BSEE counsel.

17 We are committed to working with the Debtor and
18 other constituents to implement the Apache term sheet and
19 negotiate -- finish a few documents. We are going to do that
20 in the next 75 days. And I'm available to answer questions,
21 but that's all we have to say for this afternoon.

22 THE COURT: All right. Thank you.

23 No one else has asked to make an opening statement.
24 So let me ask Mr. Perez or Mr. Barr where you all want to go
25 in the case at this point.

1 MR. PEREZ: Your Honor, Alfredo Perez. We would
2 move into evidence for the purposes of the first day hearings,
3 both the declaration of Mr. Dane and the declaration of
4 Mr. Hanson, and then the first matter is going to be the DIP
5 motion and that's going to be handled by Mr. Carlson.

6 THE COURT: All right. So we have a motion to admit
7 ECF Number 29 which is the declaration of Mr. Dane, and ECF
8 Number 23 which is the declaration of Mr. Hanson. Are there
9 any objections to the admission of the two declarations solely
10 for the purposes of today's hearing, and they will need to be
11 readmitted at any future hearing if we're going to apply them
12 there.

13 (No audible response.)

14 THE COURT: All right. With no objections the two
15 declarations are admitted. Does any party have any cross-
16 examination for either Mr. Hanson or Mr. Dane? If so, please
17 press five star.

18 MR. EISENBERG: Your Honor.

19 THE COURT: Mr. Eisenberg, go ahead.

20 MR. EISENBERG: Thank you, Your Honor. I didn't
21 know if my line still live. I'm trying to get the Debtors to
22 stipulate to the fees we see, \$5 million of the \$10 million
23 today, so I don't have to cross-examine Mr. Hanson.

24 MR. PEREZ: Your Honor, I'm happy to take Mr. Hanson
25 through the -- how the fees were negotiated and what the fees

1 are. I think they're a little bit less than 9 million, but
2 they're certainly not materially less. But if the Court --
3 with the Court's permission I'd like to just ask Mr. Hanson a
4 few questions so that we can have that -- the discussion about
5 the fees and the amounts.

6 THE COURT: Mr. Eisenberg, it's your request, do you
7 mind doing it that way?

8 MR. EISENBERG: No, I don't at all, Your Honor.
9 Thank you very much.

10 THE COURT: All right. And you said both Mr. Dane's
11 name and Mr. Hanson's name, who do you want to give that
12 testimony?

13 MR. EISENBERG: Mr. Hanson. I apologize.

14 THE COURT: No, that's okay.

15 Mr. Hanson, would you raise your right hand please,
16 sir.

17 THE COURT: Do you swear to tell the truth, the
18 whole truth, and nothing but the truth, and before you answer
19 I need to turn on your phone, so you need to press five star
20 if you would.

21 (Pause in the proceedings.)

22 THE COURT: I haven't seen you come up yet with the
23 five star, but if you just pressed it one time, that'll work.

24 (Pause in the proceedings.)

25 THE COURT: Can somebody tell me what -- I don't

1 know, let me see.

2 MR. PEREZ: Probably a 203 number, Judge.

3 THE COURT: Okay. I'll find him.

4 (Pause in the proceedings.)

5 THE COURT: So I'm having -- this is an internet
6 connection problem here, give me just a second, let me get my
7 controller restarted.

8 (Pause in the proceedings.)

9 MR. PEREZ: Yeah, when you're ready I have various
10 numbers here that I could help you with.

11 THE COURT: No, I think that this is -- it's just my
12 own connection to -- there's a separated telephone control
13 that --

14 MR. PEREZ: Your telephone --

15 THE COURT: -- that I need to get through the
16 internet. It somehow went down, but I'm getting back up on
17 it.

18 And I've got him now, I just need to click on him.

19 MR. PEREZ: Thank you.

20 THE COURT: Thank you.

21 All right. Mr. Hanson, so do you swear to tell the
22 truth?

23 THE WITNESS: Yes, I do.

24 THE COURT: Thank you, Mr. Hanson.

25 Go ahead, please, Mr. Perez.

1 DIRECT EXAMINATION OF JOHN-PAUL HANSON

2 BY MR. PEREZ:

3 Q Would you please state your name for the Record?

4 A John-Paul Hanson, J-O-H-N hyphen P-A-U-L, H-A-N-S-O-N.

5 THE COURT: Mr. Hanson, let me get you to pick up
6 your phone or bring it closer to your mouth if you would,
7 please.

8 THE WITNESS: Is that better?

9 THE COURT: It is a whole lot better. Thank you,
10 sir.

11 BY MR. PEREZ:

12 Q Mr. Hanson, what is your involvement with respect to the
13 Fieldwood matter?

14 A I am seeking to be retained as investment banker and
15 financial advisor to Fieldwood Energy.

16 Q And, Mr. Hanson, are you -- did you conduct the process
17 to obtain DIP financing in this case?

18 A Yes, I (indiscernible).

19 Q And did you file a declaration in connection with
20 obtaining the DIP financing?

21 A Yes, I did.

22 Q And, Mr. Hanson, can you describe to the Court briefly
23 what was the process that you undertook to obtain the DIP
24 financing.

25 A Starting with our initial retention and working with the

1 Debtors we, as is typical, started looking at the company's
2 operating plans, business plans, and forecasts. We noticed
3 that there were upcoming forecasted periods where liquidity
4 would be tied to negative based on forecasted cash flows and
5 cash on hand.

6 At that point we started working with Mr. Dane and the
7 finance team at Fieldwood as well as with AlixPartners to
8 determine a potential liquidity need if we were to go out and
9 raise third-party financing after sizing the liquidity need.
10 We put together solicitation materials and reached out to
11 third parties to provide that potential financing. That
12 financing was sought to be raised on a debtor-in-possession
13 financing basis. We reached out to a total of seven parties
14 including two of the existing creditors/lenders to Fieldwood
15 Energy.

16 Q All right. And did you receive any proposals?

17 A We did, we received two proposals.

18 Q All right. And did you -- were you able to negotiate the
19 proposals?

20 A Yes, we negotiated several in each of two proposal
21 counterparties.

22 Q And why did the Debtor finally decide to go with the
23 proposal provided by the FLTL lenders?

24 A It came down to a number of factors, primarily the FLTL
25 proposals were similar in size and amount, it did not require

1 a roll up of pre-petition close, and given the pre-petition
2 existing intercreditor agreement among the existing lenders to
3 Fieldwood Energy, it would not result in a non-consensual
4 (indiscernible) and litigation around the provision of the DIP
5 financing, which we viewed as being of substantial value to
6 the estates.

7 Q Okay. So Mr. Eisenberg pointed out that the fees are
8 approximately \$9 million. Can you go through the analysis of,
9 first of all how, the fees were negotiated and then the
10 analysis of the payments that are being made.

11 A The fees were negotiated -- the fees themselves and
12 overall financing was negotiated at arm's length, both with
13 our financial advisor to the FLTL group as well as directly
14 with principals in the FLTL group. As mentioned, that was all
15 conducted on an arm's length basis. It started with a very
16 different, as you can imagine, proposal in terms of both fees
17 and financing costs overall. Through a series of protracted
18 negotiations where we resolved in terms of the fee side is a 3
19 percent up front fee, a 4 percent backstop fee, and a 3
20 percent unused loan fee, all charged against the 100 million
21 of the DIP financing being provided.

22 THE COURT: Let me just clarify one thing so that I
23 can get the Record right on this. My understanding is that
24 the unused loan fee was payable monthly on unused amounts, but
25 the other two fees were paid up front, so that if you were to

1 draw everything in theory at the end of month one, that unused
2 loan fee would only be 1/12 of 3 percent in total. Is that
3 right, or did I misunderstand how that works?

4 THE WITNESS: That's correct, Your Honor. I
5 appreciate the clarification.

6 THE COURT: Okay. Thank you.

7 BY MR. PEREZ:

8 Q And, Mr. Hanson, do you believe that the Debtors were
9 able to obtain the best rate possible in connection with this
10 DIP loan?

11 A Under the circumstances and given the protracted
12 negotiations and where we were able to finally negotiate the
13 fees and possibly the financing (indiscernible) that we
14 believe this the best outcome achievable.

15 Q Now there is an interim draw of \$10 million that has to
16 occur within 15 days. Do you know of any reason why this has
17 to be done?

18 A It is really for two reasons. Number one, to solidify
19 the DIP financing, demonstrate to the market, to employees, to
20 regulators and members that the financing is fully available.

21 A secondary reason is, but of no less importance, is that
22 certain of the providers of the DIP cannot be providing
23 uncommitted funds, or making commitments on undrawn funds I
24 should say. And so there needed to be an initial draw in
25 order to seize the commitment to provide the entire

1 100 million should it be needed.

2 Q Now if the Debtors elected not to have the DIP now and a
3 DIP were not available in the future, would that have any
4 potential business impact on Fieldwood?

5 A It would have a dramatic impact on Fieldwood, both in
6 terms of immediate liquidity needs and you can see from the
7 DIP budget. But there are periods where liquidity becomes
8 tight under the forecasted 13 weeks, and the loss of liquidity
9 can have a material impact on long term value of the
10 operations and the underlying business.

11 Q Now are oil and gas companies in the Gulf susceptible to
12 significant liquidity swings?

13 A Absolutely. Oil and gas companies can be subject to very
14 significant swings, first and foremost due to the commodity
15 price, but also driven by a variety of other operational and
16 production factors. And the Gulf of Mexico producers are no
17 less, in fact, arguably they are even more susceptible.

18 MR. PEREZ: Thank you, Your Honor. We have nothing
19 further from Mr. Hanson.

20 THE COURT: Thank you.

21 Mr. Eisenberg.

22 MR. EISENBERG: Yes, Your Honor.

23 CROSS-EXAMINATION OF JOHN-PAUL HANSON

24 BY MR. EISENBERG:

25 Q Mr. Hanson, three months ago before the petition date,

1 what was the available liquidity for Fieldwood?

2 A 40 months ago -- I'm sorry, three months ago,
3 Mr. Eisenberg?

4 Q Yes, sir.

5 A If I recall, it was approximately 180 million.

6 Q How much cash does Fieldwood have sitting here on day one
7 of the budget that was provided?

8 A Approximately 135 million, that constitutes both
9 international operations, as well as the liquidation of
10 significant hedges which occurred in late May of this year.

11 Q And the forecasted periods when you will have liquidity
12 problems, those are not in the first 30 days after the filing
13 of the bankruptcy -- or of that budget, sir.

14 A Not -- it depends on what you're classifying as liquidity
15 problems, but within the next 30 days it is not forecasted
16 that liquidity becomes dramatically tight, but there is a cash
17 burn forecasted in the next 30 days.

18 Q And so looking at the 13-week budget when does that
19 liquidity problem that you talked about occur?

20 A Where liquidity becomes the tightest in the forecasted
21 period is late September, early October time frame.

22 Q So maybe eight weeks in.

23 A Correct, depending on a variety of factors including
24 (glitch in the audio).

25 Q I'm trying to understand what roll up. I heard that

1 there's no roll up at least on an interim basis. Is that
2 correct?

3 A Not under the presented and agreed to DIP financing.
4 There was under none of the competing proposals.

5 Q Okay. And so then -- and then there's a second tranche
6 that's available upon the satisfaction, I've got to get the
7 term right, there's a satisfaction event that occurs and
8 that's another \$15 million that would become available at that
9 point. Correct?

10 A Well, there's 15 million of incremental availability
11 during the interim period, but prior to the signing of
12 definitive documentation around the Apache DIP agreement.
13 That 15 million is subject to conditions, but it is available
14 within the next 75 days should the company need it.

15 Q Is there a roll up on that amount, or any piece of this
16 DIP loan?

17 A Not under this proposed DIP, no.

18 Q Okay. Now the fees, there's the initial 3 percent fee,
19 and then there's a 4 percent backstop fee. Can you describe
20 to the Court what a DIP backstop fee is?

21 A That is a fee that is provided to the parties without
22 backstopping the full 100 million, so they are committing to
23 provide the full \$100 million DIP.

24 Q So they're just -- they're just parties who are providing
25 the DIP and they're getting an additional 4 percent because

1 someone else is not providing the DIP?

2 A But it's an agreed fee in order to incentivize the
3 parties to provide the DIP financing which is necessary.

4 Q Well, let's talk about that. The second tier of the debt
5 structure, which is the term loan, that basically -- would you
6 call the value of the offshore assets that have been marketed
7 by Houlihan would -- do you know whether the value was less
8 than the full amount of the term loan at this point?

9 MR. PEREZ: Your Honor, I'm going to object to the
10 question. I think it goes beyond the scope and it's not -- I
11 don't believe that this is an appropriate line of questioning
12 on a DIP hearing.

13 THE COURT: Does this relate to -- how does this
14 relate to the DIP, Mr. Eisenberg?

15 MR. EISENBERG: Certainly. My next question, Your
16 Honor, is, is it true that all these terms loans parties are
17 doing is supporting their own collateral and so it's in their
18 interest to actually do this, and why would they be entitled
19 to this backstop fee as part of this on such short notice when
20 the money is not there and there's no liquidity need.

21 THE COURT: Why don't you just go directly to that
22 question.

23 MR. EISENBERG: Okay.

24 BY MR. EISENBERG:

25 Q Isn't it true, Mr. Hanson, that all the term loan members

1 are doing is supporting their own collateral here?

2 A There's a subset of the FLTL lenders who are providing
3 this DIP financing.

4 Q And they're supporting their own collateral. Correct?

5 A They are supporting the underlying difference which
6 constitutes their collateral.

7 Q All right. So there a motion you understand today to
8 give the employees comfort with regard to their wages. Are
9 you aware of that motion, sir?

10 A Yes, it's part of the first DIP finance.

11 Q All right. And the \$10 million from the interim DIP is
12 not necessary for the company to actually satisfy the needs of
13 (glitch in the audio), sir.

14 MR. PEREZ: I object to the form of the question,
15 Your Honor.

16 THE COURT: Overruled.

17 THE WITNESS: I'm not sure exactly which dollars are
18 going to pay the employee wages. But the DIP as stated in my
19 declaration provides comfort to the employees, vendors, other
20 parties-in-interest that there's sufficient long term
21 liquidity to support the operations and provide stand-by
22 capital as necessary for the ongoing business on a long term
23 basis.

24 BY MR. EISENBERG:

25 Q So the answer is no, the DIP is not necessary on an

1 interim basis to satisfy the cash needs under that motion
2 currently.

3 MR. PEREZ: Object to the form of the question --

4 THE COURT: Sustained.

5 MR. PEREZ: -- Your Honor, as stated.

6 THE COURT: Sustained.

7 MR. EISENBERG: All right. I'll move on, Your
8 Honor.

9 BY MR. EISENBERG:

10 Q You mentioned that Fieldwood is a private company.
11 Correct?

12 A It is not publicly traded, correct.

13 Q And so it's not traded on an open market, is it?

14 A The equity is not publicly traded.

15 Q And sitting here today do have any reason to believe that
16 the term loan lenders will be unwilling to provide a DIP a
17 month from now?

18 MR. PEREZ: Object to the question, it calls for
19 speculation.

20 THE COURT: Sustained.

21 BY MR. EISENBERG:

22 Q Aren't you just speculating, Mr. Hanson, that another DIP
23 might not be available 30 days from now?

24 THE COURT: Same question. Sustained.

25 MR. EISENBERG: Well, Your Honor, I would -- I

1 thought he testified on direct that he was -- they weren't
2 sure whether they could get a DIP 30 days from now, and so I
3 was trying to --

4 THE COURT: I think he did, he said he isn't --

5 MR. EISENBERG: He did? All right.

6 THE COURT: -- he isn't sure. I don't think that's
7 speculating about anything to say, I'm not sure.

8 MR. EISENBERG: Okay. Thank you, Your Honor. I'll
9 withdraw the question.

10 THE COURT: Thank you.

11 MR. EISENBERG: That's all I have for right now.
12 Thank you, Your Honor.

13 THE COURT: Thank you.

14 Any further questions for Mr. Hanson?

15 (No audible response.)

16 EXAMINATION OF JOHN-PAUL HANSON

17 THE COURT: Mr. Hanson, this is a priming loan and I
18 understand that it primes the collateral of the existing
19 funded debt schedule that was shown to me. So the first out,
20 it primes the non-funding as well as the funding FLTs and it
21 primes the second lienholders. Does it prime M&M lienholders,
22 does it prime any security that might belong to
23 Mr. Eisenberg's client, or does it only prime if you will the
24 collateral stack that is to the three lenders that are funded
25 debt holders?

1 THE WITNESS: It primes the existing lenders to the
2 business. So you mentioned the collateral on the existing
3 funded debt.

4 THE COURT: So if, without any finding or even
5 allegation by Mr. Eisenberg's client, but I've also got a lot
6 of people that provided goods and services to the company. If
7 we were to approve the priming lien today, the collateral, or
8 the security interests or the collateral rights or the
9 statutory rights that the M&M lienholders might have or the
10 contractual rights that Mr. Eisenberg might have would be
11 unaffected by the priming part. They may be affected by the
12 existence of the debt, by the administrative claim, but not
13 affected by the priming part. Is that right?

14 THE WITNESS: That is correct.

15 THE COURT: Okay. I don't have any more questions.

16 MR. EISENBERG: Your Honor, that raised another
17 question for me, if I may?

18 THE COURT: Sure. Of course.

19 MR. EISENBERG: I'll just ask.

20 THE COURT: No, of course.

21 RECROSS-EXAMINATION OF JOHN-PAUL HANSON

22 BY MR. EISENBERG:

23 Q So the interim order, Mr. Hanson, does it provide
24 releases?

25 A No, it does not provide releases.

1 Q Okay.

2 MR. EISENBERG: All right. Well, that's the only
3 question that I had left.

4 THE COURT: Thank you.

5 All right. Mr. Perez.

6 MR. PEREZ: Thank you, Your Honor. We have nothing
7 further for this witness.

8 (Witness steps down.)

9 MR. PEREZ: May he be excused?

10 THE COURT: No, but he could be not testifying for
11 another minute. I don't know what we might need him for
12 today's first day hearings.

13 Can you stick around, Mr. Hanson?

14 MR. HANSON: Yes, of course, Your Honor.

15 THE COURT: Thank you. And I'm sorry to be rude
16 about that, but we're trying to deal with this sort of in real
17 time.

18 Mr. Perez, as you know, we had reserved time for you
19 on Monday I believe, expecting these hearings then. I have no
20 problem with what we're doing, but I also had some three
21 o'clock hearings scheduled today. I don't think they're going
22 to take that long. So I'm going to go ahead and call my three
23 o'clock hearings, and then I'm going to come back to you all,
24 if you all will just kind of stand by on the phone and on the
25 GoToMeeting, that'd be great. I need to wait --

1 MR. PEREZ: Thank you, Your Honor. We will. Thank
2 you.

3 THE COURT: So we're going to take about a one or
4 two minute break.

5 Mr. Laws, if you will press five star and let me
6 know when we can begin the BJ Services --

7 (Recess taken from 3:06 p.m. to 3:18 p.m.)

8 AFTER RECESS

9 THE COURT: Mr. Laws, are we ready?

10 THE CLERK: Yes, Your Honor, we're ready.

11 THE COURT: All right. Thank you.

12 Okay. We're going to go back on the Record on the
13 Fieldwood case, it is 20-33948. I think this means that your
14 CourtSpeak will now be divvied up into segments, but you'll
15 get two different PDFs that will show that if you want
16 CourtSpeak.

17 All right. Go ahead, please, Mr. Perez.

18 MR. PEREZ: Yes, Your Honor. We have no further
19 testimony. Obviously we'd like to respond to some of the
20 arguments that Mr. Eisenberg made.

21 THE COURT: So we're dealing with the DIP motion, is
22 that it, and you're resting you evidence on the DIP motion?

23 MR. PEREZ: Yes, Your Honor.

24 THE COURT: All right. Is there any other party
25 that has any evidence on the DIP motion? Hold on one second.

1 Mr. Laws, do we have an issue?

2 THE CLERK: (No audible response.)

3 THE COURT: I guess not. Okay. I'm going to re-
4 mute your line, Mr. Laws.

5 Sorry, everyone. We're doing all of our recording
6 remotely into the sound system here in the courtroom and it's
7 hard to communicate.

8 All right. So let me hear argument in favor of the
9 DIP by any party that wishes to make it, the interim DIP, and
10 then arguments against it by any party that wishes to make it.

11 MR. PEREZ: Yes, Your Honor. Alfredo Perez on
12 behalf of the Debtors. Your Honor, I believe that the
13 uncontroverted testimony is that that -- the Debtors have
14 engaged in a process where they went out, they solicited bids,
15 they got the best bid -- they got the best bid available, that
16 they're -- that this is a business that has significant
17 liquidity swings.

18 I think the Court can take notice of oil and gas --
19 the volatility of the oil and gas markets in addition to being
20 completely in the Gulf, and that based on Mr. -- and the
21 uncontroverted testimony, Your Honor, it is clear that having
22 that liquidity, having that DIP available will be needed, that
23 the testimony is that he didn't know whether that DIP would be
24 available and there will be times when it will be needed.

25 Obviously, Your Honor, the fees were negotiated at

1 arm's length. Obviously we would all like to have had lower
2 fees. Those were the fees that were available. And the other
3 alternatives would have resulted in a potential priming fight
4 which would have -- which would have had its own issues, not
5 the least of which is the ability to prevail.

6 Your Honor, I think getting the DIP, having the
7 funding as required both, you know, in order to show some
8 stability but also be able to lock in the lenders as well as
9 the testimony. It is important for this Debtor and I think
10 that that's one of the three stools -- the three legs of this
11 stool that allow us to go forward with Apache, Apache
12 (indiscernible).

13 And, Your Honor, I was reminded during the break
14 that I mis-spoke during my opening. The deep water assets
15 were purchased by Noble -- from Noble and I think I may have
16 mentioned Apache and I apologize for that.

17 But, Your Honor, I think in connection with the
18 interim DIP, which is what we're here to address, I think the
19 uncontroverted testimony is, is that this is the best DIP
20 available, that from a business standpoint is something that
21 the company needs, and although the cost is relatively high,
22 it's the best available at the time.

23 THE COURT: Thank you, Mr. Perez.

24 Ms. Tsiouris.

25 MS. TSIOURIS: Thank you, Your Honor. So I just

1 want to echo Mr. Perez's comments and to say, no, first the
2 DIP was part of the borrower commitment by the Ad Hoc Group to
3 support the restructure and negotiation process that is still
4 very much ongoing. They subbed in, despite of, you know,
5 \$100 million commitment not knowing what the treatment will be
6 for the DIP commitment, what will be upon the DIP loan, what
7 will be the treatment further (glitch in the audio) LPL loan.

8 Second, I just want to highlight that this DIP does
9 not provide any extra benefit for that offered first lien term
10 loan position. And just to clarify when Mr. Eisenberg was
11 talking to Mr. Hanson about a roll up, this -- and so maybe
12 but not contemplate a whole lot now, it does not contemplate a
13 whole lot more. I want to be very clear about that.

14 The adequate protection package that the first day
15 term loaners are getting here are very professional. We've
16 also agree not to seek ongoing strip payments in connection
17 with their -- with the DIP package. And it goes into all
18 first lien term lenders, and they have a very active
19 (indiscernible). They have till August 14 to finance. And so
20 that it, you know, incurred benefits -- it does not benefit
21 the first lien term lenders that are providing extra benefits
22 (glitch in the audio).

23 And we, you know, certainly aren't looking for any
24 affirmative relief at the first day hearings. You know, what
25 we are asking for is the interim draw be made within 15 days

1 as we go forward, and part of that is the funds that happen
2 relative to (glitch in the audio) do have internal
3 restrictions which, as you heard from Mr. Hanson, do not allow
4 them to make open-ended commitments, so this was a necessary
5 aspect of the deal.

6 We do think that, you know, it is important for this
7 company for us and the parties that were committed (glitch in
8 the audio) to the ongoing restructuring of this company that
9 if it bears the market that we are (indiscernible) company,
10 that the company has adequate funding for the rest of each
11 (glitch in the audio) to actually effectuate an (glitch in the
12 audio) restructuring. If we waited until later to provide
13 this funding, it would be uncertain what the funding terms
14 would be at that point, and whether or not the funding would
15 be available at that point.

16 And so given all of that and, you know, the lender
17 group is step up, and have stepped up and have done it in a
18 way that -- in a way that (glitch in the audio).

19 THE COURT: Thank you, Ms. Tsiouris.

20 Mr. Eisenberg.

21 MS. TSIOURIS: Thank you.

22 MR. EISENBERG: Yes, Your Honor. May I be heard?

23 THE COURT: Yes, sir.

24 MR. EISENBERG: Thank you, Your Honor. You know,
25 the timing of this is very quick. The economics of it are

1 very tight right now, \$10 million for \$7-plus million in fees,
2 the need for it is uncertain, the -- whether they would ever
3 get to not be able to have a DIP, the evidence is -- doesn't
4 go one way or the other. It did take several months to get to
5 where we are now, according to testimony.

6 And so -- and -- but, you know, with the testimony
7 that they're not cutting off rights, they're not giving any
8 releases, they're not blowing this up, I'm not contesting
9 whether or not they solicited properly or that this was the
10 best bid. The question is whether they actually need it right
11 now.

12 And so if Your Honor believes that they need it
13 right now on the Record that's there, I don't know that that
14 supports it, and -- but, Your Honor, I would like an
15 opportunity to walk through the interim order offline and talk
16 with various counsel about the particular provisions in it
17 based upon the testimony and assure myself of the things that
18 have been represented in court, just to mention the (glitch in
19 the audio). And that's what I have right now on two hours
20 notice, Your Honor.

21 THE COURT: Mr. Eisenberg, thank you for such an
22 adult approach about what I probably am faced with right now.

23 We have jurisdiction over this under 28 USC Section
24 1334. This is a core matter under 28 USC Section 157. I'm
25 going to announce a preliminary ruling, and I don't want to

1 hear people argue to me against this ruling.

2 Based on the evidence before me I think that taking
3 out this loan is necessary for the effective reorganization of
4 the Debtor and I'm going to approve it, but I'm approving it
5 with I think some changes that aren't going to do any injury
6 to the important goal that's trying to be accomplished. Based
7 on the affidavits of Mr. Dane and Mr. Hanson, as well as the
8 oral testimony, approving a \$100 million post-petition loan in
9 today's environment adds such vitality to the case and to the
10 likelihood of success of the case it should be approved.

11 This is a terribly unstable time. The availability
12 of new capital in this marketplace in the oil and gas industry
13 is sparse. I have either had the good or the bad fortune
14 probably, certainly if you combine my experience with Judge
15 Jones's experience to see more very large post-COVID loans
16 than I think anyone else in the world. Maybe second to Jones,
17 that's why I'm saying if you combine me with Jones, clearly we
18 have.

19 This is the first post-COVID loan where I've seen
20 competitive bidding for it, and it gives me a lot of comfort,
21 and the end place where this loan ended up I think is just
22 fine. It is expensive from a fee point of view but it's
23 expensive from a fee point of view in an almost non-existent
24 market which makes it a bargain from a fee point of view if
25 you look at it the other way. It's not available at any

1 cheaper price.

2 I want to add three restrictions to the loan and to
3 the documents, and I think these are consistent with the
4 testimony, but I want you all to argue against it if I'm
5 wrong. First, I want there to be a provision that deals with
6 the M&M lienholders and that deals with other statutory rights
7 holders and that deals with the rights of contract holders who
8 aren't in the funded loan stack. And I want a provision in
9 the interim order that whatever their
10 collateral/lien/statutory rights are are not affected at the
11 interim stage. I think the deal may be they're not even going
12 to be affected at the final, but at least for interim I want
13 that to be quite clear.

14 It goes hand-in-hand with the second one, which is
15 want it very clear that what we are granting liens on are the
16 same assets that the capital stack has. So those are
17 basically two provisions to accomplish the same thing on an
18 emergency basis.

19 The third thing is, I want to sign the order right
20 away. Most orders signed by Bankruptcy Courts have a built-in
21 14-day stay, but most DIP orders have no stay at all. I want
22 the order effective on entry, but I want the first -- I want
23 it to be stayed as to when the first draw can be made and when
24 the fees can be made until 10:00 a.m. on August 11. That
25 would give Mr. Eisenberg, as well as other parties, more of an

1 opportunity to review it, and I don't really see anything in
2 the testimony that says the cash is needed before then. As I
3 understand Mr. Hanson's testimony, the first draw has to occur
4 within 15 days, they'll have the first draw within 7 or 8
5 days, so I think it meets what he told me.

6 And essentially I'm doing this -- this was a deal
7 getting put together more at the last minute than most first
8 day things. I think one couldn't really get access to the
9 information till about noon. And given what the testimony is,
10 and I think no need for an immediate draw, but there is a need
11 to have \$100 million loan approved, that that type of a stay
12 only -- so people can only ahead and document it, you go ahead
13 and get all your collateral documents filed, you can do all of
14 that. But to not pay the fees or make the first draw till
15 10:00 a.m. on August 11 seems to be a protected device without
16 much of a cost.

17 So with those three restrictions I think I should
18 approve it, and I wanted to hear arguments against those, or
19 in favor of those restrictions given where we are today.

20 MR. PEREZ: Your Honor, Alfredo Perez. I just want
21 to ask a clarifying question. With respect to your second
22 point -- I understand your first point and the color -- well,
23 whatever of the second point, but there -- to the extent that
24 there are any unencumbered assets obviously the DIP would have
25 a lien over them, on any unencumbered asset. So I don't think

1 that's what the Court intended.

2 THE COURT: It is not, and that's fine.

3 MR. PEREZ: Correct. Okay. So that in essence
4 there would be -- to the extent anyone has a prior lien or is
5 entitled -- or that has a prior lien that isn't in the capital
6 stack, they're not being primed. That's number one. Number
7 two, with respect to other assets that are potentially
8 unencumbered, they would have a lien on that.

9 And then, Your Honor, as a practical matter, Your
10 Honor, I don't think that this would have funded before the
11 11th, and so the only hesitation that I have with actually the
12 Court imposing a stay is what that does to the -- you know,
13 part of the reason we did this is because some of the funds
14 that are doing this can't have unfunded commitments. And as a
15 practical matter we knew that they wouldn't be able to fund
16 and that's why there's a 15-day repeal, that we have up to
17 15 days to fund.

18 So the 11th is certainly within the 15 days. The
19 only concern I have, and I want to consult with counsel for
20 the banks, Ms. Tsiouris, to make sure that that doesn't create
21 an unintended consequence. As a practical matter, I don't
22 think we were going to fund in any event before the 11th.

23 THE COURT: Yes, I was trying to fit into that and
24 respect Mr. Eisenberg's argument simultaneously. It was not
25 my intent to in any way impair the ability of that 100 million

1 to come in.

2 So, Ms. Tsiouris, does that delayed ability to
3 actually pay the fees and draw the money for a week hurt
4 anything?

5 MS. TSIOURIS: (No audible response.)

6 THE COURT: You need to un-mute your own line,
7 Ms. Tsiouris.

8 MS. TSIOURIS: (No audible response.)

9 THE COURT: Oh, well, let me see. I apologize, I
10 don't know how that happened, but your line is now active
11 again. Go ahead.

12 MS. TSIOURIS: So I think what happened, my line
13 dropped and so I missed two and three. But I apologize, I
14 can't find -- I didn't hear it.

15 THE COURT: So here's the issue, what number one
16 was, number one and number two were basically the same thing,
17 saying I wanted to be certain that the priming didn't affect
18 the M&M and the statutory rights holders, and therefore I
19 wanted it clear not only that it didn't affect them, but here
20 is what is primed as the capital stack. And then Mr. Perez
21 has gotten clarity that in addition of course you can have a
22 lien on unencumbered collateral. I was only really worried
23 about the priming side.

24 But the third point was I wanted to go ahead and get
25 the deal documented, people can sign things, you can record

1 things, you can have all of your agreements in place, but the
2 actual first draw as well as the actual payment of the fees
3 can't occur until on or after 10:00 a.m. on August 11, which
4 is a week from today. And I think Mr. Perez's concern is that
5 he knows that certain of your clients can't reserve funds that
6 are unfunded and wanted to be sure that that wasn't going to
7 get in the way of what your needs were. He also said from a
8 practical point of view is isn't going to get drawn before
9 then.

10 MS. TSIOURIS: Yeah, I think people understood
11 there's always some, you know, some -- a little bit of some
12 tiny issue with -- you know, in terms of the draw on funding
13 and actual funding. So I just don't know what, you know, what
14 the actual -- when it hits the point where it's too much. So
15 I can get back to my clients and confer with them, but that
16 amount of time that they're saying, it will get exercised.

17 THE COURT: Okay. Look, if there's a problem, would
18 you all -- if you all submit an order without another hearing,
19 I want it to have those things in it. It's not my goal to get
20 in the way of the deal. If there's a problem, would you all
21 request an emergency hearing?

22 Mr. Eisenberg, I think that resolves some of your
23 bigger concerns. It may not resolve every concern, and I want
24 to be sure that I have done that.

25 MR. EISENBERG: Well, it gives me an opportunity to

1 have the provision that we want, Your Honor, and to also
2 review the order prior to its entry to make sure it's
3 consistent with the testimony. So we do appreciate the
4 Court's consideration today.

5 THE COURT: All right. Thank you. So that'll be
6 the ruling. I'm now going to transfer that from a preliminary
7 ruling to a final ruling. It is subject of course to an
8 emergency motion if what I've done has impaired the ability to
9 draw the money. Not my intent.

10 Where do you all want to go? Mr. Barr, I'm going to
11 reactivate your line, it looks like you had to reconnect as
12 well.

13 MR. BARR: Thank you, Judge. I think we're going to
14 turn it over now to Mr. Carlson who's going to complete the
15 agenda.

16 THE COURT: So, Mr. Carlson, and I'm sorry to put
17 you on the spot on this, but I'm going to, there was very
18 short notice. What I would like to do is only what we need to
19 do today, not what's convenient to do today. So if you'll
20 take a minute -- and if you need to take a minute and talk to
21 Mr. Dane or whenever, that's fine, but, and it may be that
22 everything on the agenda has to be done today, and that's
23 okay.

24 But I want to limit what we're doing to what really
25 has to be done today, and then I will bring you back quickly

1 for the rest. And I can even look and see if I can do that
2 tomorrow.

3 (Pause in the proceedings.)

4 THE COURT: Yeah, anything that we don't get done,
5 that you can put off till tomorrow, I will bring you back
6 tomorrow morning at eight o'clock in the morning. So I want
7 to limit to what we need to do today. But again, the couple
8 of hours is awfully short.

9 Mr. Carlson, I'm not hearing you, so let me --

10 (Pause in the proceedings.)

11 THE COURT: All right. From 713-546-5428, is that
12 you, Mr. Carlson?

13 MR. CARLSON: Yes, it is. Good afternoon, Your
14 Honor.

15 THE COURT: Good afternoon, Mr. Carlson.

16 MR. CARLSON: So, Your Honor, (glitch in the audio)
17 to do today (glitch in the audio) are insurance and our
18 motion. I just want to make sure I understand what the Court
19 is asking. (Glitch in the audio) we don't have (glitch in the
20 audio) is that -- is that --

21 THE COURT: I'm having trouble with your --

22 MR. CARLSON: -- if you --

23 THE COURT: -- we're having trouble with your
24 phone, Mr. Carlson.

25 MR. BARR: Your Honor, if you could hear me, it's

1 Mr. Barr. I saw that (glitch in the audio) here now, so if
2 you can hear me, I'm happy to go through, subject to Mr. Dane
3 getting certified and Mr. Lannie getting certified to run the
4 company, telling us that there are things that they actually
5 need.

6 I would suggest that what we would need besides the
7 DIP which you just approved, and thank you very much, would be
8 cash management, which would be employee wages, Your Honor,
9 and would be the NOL motion. Those three are probably, in
10 looking through the list, the most important to get today,
11 with the understanding that we're back on front of you very
12 early tomorrow morning.

13 THE COURT: Let me start with Mr. Carlson to see if
14 you want to overrule Mr. Barr. Your job is now --

15 MR. CARLSON: (Glitch in the audio) --

16 THE COURT: -- your job --

17 MR. BARR: And it's totally okay. No, it's not,
18 it's totally okay if he overrules me.

19 MR. CARLSON: And he knows me better than that,
20 Judge. So do you, but it's okay.

21 THE COURT: Yeah. Mr. Carlson, if you -- seriously,
22 if you need to overrule him, go ahead.

23 MR. CARLSON: I think Mr. Barr hit the ones that we
24 need today (glitch in the audio) in my mind.

25 THE COURT: Mr. Dane, do you want to overrule your

1 lawyer on this and tell me there's more important because --
2 go ahead, let me get your line activated. Mr. Dane, would you
3 press five star for me. All right. Mr. Dane, good afternoon.
4 I know we haven't met before, and unfortunately welcome to
5 Bankruptcy Court.

6 MR. DANE: Thank you, Your Honor. I would agree
7 with what Mr. Barr said also.

8 THE COURT: All right. Thank you. All right. Then
9 let's do those.

10 Go ahead, Mr. Carlson.

11 MR. CARLSON: Sure, Your Honor. And I'll actually
12 turn to the podium over to Moshe Fink, who's going to be
13 handling the wages. I was prepared for motions that are not
14 essential for today.

15 (Laughter.)

16 THE COURT: All right. If you would press five star
17 on your phone whoever's going to be handling these.

18 (Pause in the proceedings.)

19 THE COURT: All right. Who do we have?

20 MR. FINK: Good afternoon, Your Honor. It's Moshe
21 Fink from Weil Gotshal & Manges, proposed counsel for the
22 Debtors.

23 THE COURT: Good afternoon. I can't see you, are
24 you on GoToMeeting?

25 MR. FINK: So, Your Honor, I go -- on the screen

1 that I'm on I don't have the video capability, so I'm on
2 GoToMeeting but I am on the phone line as well too.

3 THE COURT: Okay. That's fine. I'm just going to
4 tell Mr. Perez to spring for a camera for him for next time.

5 MR. FINK: Thank you, Your Honor.

6 THE COURT: All right.

7 MR. PEREZ: I'll write a memo, Your Honor, I'll
8 write a memo.

9 THE COURT: Thank you. Go ahead, please.

10 MR. FINK: We'll find one tomorrow, no problem.

11 THE COURT: Go ahead, please.

12 MR. FINK: Thank you, Your Honor. So we're going to
13 start with cash management or with wages --

14 THE COURT: Wherever you want --

15 MR. FINK: -- or --

16 THE COURT: -- wherever you choose to go.

17 MR. FINK: So, sure, Your Honor, I'll start with
18 cash management if that's okay, if it pleases the Court. The
19 next item on the agenda would be Item Number 5, which is the
20 Debtors' cash management motion, document number six. By the
21 motion the Debtors request authority to maintain their cash
22 management system, bank accounts, pre-petition bank fees,
23 continuing business (glitch in the audio) in the ordinary
24 course, continue to do intercompany transactions in the
25 ordinary course and continue to retain corporate credit cards.

1 Your Honor, it's got more clearly in the motion and
2 diagram annex to a motion. The Debtors have a relatively
3 straightforward cash management system. It's tailored to
4 their business needs and consists of six bank accounts, Your
5 Honor. I would just point Your Honor just to flag that
6 pursuant to conversations with the US Trustee the Debtors are
7 asking for 45-day extension of the time period to come into
8 compliance with Section 345(b) of the Bankruptcy Code. But
9 that US Bank, which is the bank where a lot of the bank's cash
10 management system is not an authorized counterparty. So we
11 have requested that relief.

12 I'm happy to walk Your Honor through some more
13 detail about the motion, but if Your Honor has any other
14 questions, then I'm happy to respectfully request that the
15 motion be granted.

16 THE COURT: All right. First, let me hear any
17 objection to the cash management motion.

18 (No audible response.)

19 THE COURT: If anyone has an objection, if you would
20 please press five star on your phone.

21 (No audible response.)

22 THE COURT: All right. Mr. Statham, are you able to
23 hear me all right?

24 MR. STATHAM: (No audible response.)

25 THE COURT: Hold on. Mr. Duran, I'm going to get

1 your line activated, I see you there.

2 (Pause in the proceedings.)

3 THE COURT: Mr. Duran -- I don't know what happened,
4 Mr. Duran. I'm going to get it active. There's something
5 wrong on the system again.

6 (Pause in the proceedings.)

7 THE COURT: All right. Mr. Duran, I apologize for
8 the delay in getting you connected, but I think we should be
9 able to hear you now.

10 MR. DURAN: Hector Duran for the US Trustee.

11 THE COURT: Mr. Duran --

12 MR. DURAN: Can you hear me, Your Honor?

13 THE COURT: I can. Mr. Duran, thank you for taking
14 the time to appear today. I know it's a tough day and you
15 certainly have our condolences.

16 MR. DURAN: Thank you very much for those words,
17 Your Honor.

18 THE COURT: Mr. Duran --

19 MR. DURAN: The first --

20 THE COURT: Go ahead.

21 MR. DURAN: -- as far as the cash management
22 motion is concerned, the Debtors incorporated all our comments
23 and we're fine with the proposed order.

24 THE COURT: Thank you, Mr. Duran.

25 When do you want finals, Mr. Carlson, since you were

1 probably going to be in charge of picking that, when do you
2 want your final hearing?

3 MR. FINK: Subject to the availability of
4 Mr. Hanson, I would think the week of the 24th through the
5 28th.

6 THE COURT: All right. Would you like to do it on
7 the 24th at 1:30 in the afternoon?

8 MR. FINK: That works from my perspective, I just
9 want to make sure that it works for you, Mr. Dane, Mr. Hanson.

10 THE COURT: Anyone have any --

11 UNIDENTIFIED SPEAKER: It does, Your Honor.

12 THE COURT: -- objection to finals on the 24th at
13 1:30?

14 (No audible response.)

15 THE COURT: All right. Let me get that done right
16 now and --

17 (Pause in the proceedings.)

18 THE COURT: All right. I've signed the cash
19 management motion. Let me get that sent to docketing. It has
20 gone to docketing. Tell me where you want to go next.

21 MR. FINK: Thank you, Your Honor. Absolutely.
22 Wages next if that's okay?

23 THE COURT: All right. Go ahead, please.

24 MR. FINK: So, Your Honor, the wages motion, Item
25 Number 7 on the agenda, ties to Docket Number 13. Pursuant to

1 that motion the Debtors seek authority to pay pre-obligations,
2 related fees, costs and expenses, and maintain and continue to
3 honor and pay amounts with respect to the Debtors' pre-
4 petition business practice, purpose and policy to employees
5 that were very close to the business.

6 As discussed in the motion, Your Honor, the Debtors'
7 employees, approximately 635 FTEs consisting of both offshore
8 employees and office employees. And, Your Honor, to keep it
9 short, the employees the backbone of the company, that in the
10 ordinary course of business the Debtors maintain the customary
11 employee programs that Your Honor would expect to see in a
12 motion like this, including health and welfare assets,
13 retirement benefits and employee savings plans.

14 The Debtors seek to pay approximately 9.65 million
15 in total estimated obligations, the vast majority of which
16 consists of compensation obligations and benefits obligations.

17 Your Honor, just to give you one update that's
18 occurring in real time is we need to close out one of the
19 final comments of the US Trustee. The US Trustee has
20 requested to add to the order that for the Debtors to be
21 getting payment after the 25,000 an individual pursuant to any
22 bonus program or severance program, the Debtors will provide
23 five-days advance notice to the Trustee and the Committee.
24 And we'll put various information about the claimant -- about
25 such payment (glitch in the audio). So, Your Honor, that's

1 occurring in real time and the Debtors will -- we will submit
2 an order with that, a revised order reflecting that change
3 that we negotiated in the last few moments.

4 THE COURT: So if I could do this, given how
5 important it is to get the employees comfortable and paid, let
6 me be sure I don't have any objection to any of this. Other
7 than one provision requested by the US Trustee is there any
8 party that has any objection to the employee wages motion?

9 (No audible response.)

10 THE COURT: All right. Based on sort of the obvious
11 sense of this --

12 MR. DURAN: Your Honor --

13 THE COURT: Yes, sir.

14 MR. DURAN: -- Hector Duran for the US Trustee. I
15 note that Paragraph 2 also not only includes the employee
16 bonus programs and the employee severance obligations, it also
17 includes a KERP. I would want to be notified in connection
18 with the KERP as well.

19 THE COURT: All right. Let's do this then, if
20 that's going to -- if there are no other objections I'm going
21 to approve it. And if I could impose on you, Mr. Duran, I am
22 going to type in the changes myself, if you will dictate them
23 to me, and we'll just get them done.

24 MR. DURAN: All right, then.

25 THE COURT: Let me get this active.

1 (Pause in the proceedings.)

2 THE COURT: Go ahead. Can you see that on the
3 screen?

4 MR. DURAN: I can, Your Honor.

5 MR. FINK: I can as well, Your Honor.

6 THE COURT: Good. So, Mr. Duran, you want to
7 dictate to me.

8 MR. DURAN: Before making any payments in excess of
9 25,000 to any individuals pursuant to the employee bonus
10 program, KERP or the severance program the Debtors shall
11 provide five-days advance notice --

12 THE COURT: Are those business or calendar days?

13 MR. DURAN: -- calendar -- to the US Trustee and
14 any statutory committee, A, entitled to claimant --

15 THE COURT: I just missed a word you said. To any
16 statutory committee, and then go ahead.

17 MR. DURAN: And then A will be the entitled to
18 claimant, B the amount of the proposed payment to such
19 claimant, and C, proposed payment date.

20 THE COURT: All right. Does that work for the
21 Debtor?

22 MR. FINK: Your Honor, I think just one minor ting.
23 I believe the employee bonus program and severance program are
24 defined terms in the motion. If we could capitalize the
25 employee bonus program and the severance program.

1 (Pause in the proceedings.)

2 THE COURT: Does that work?

3 MR. DURAN: That works. Thank you, Your Honor.

4 MR. FINK: Yes, Your Honor, for me I would just
5 check with Mr. Perez just to make sure that he's also -- he's
6 also in agreement.

7 THE COURT: Mr. Perez doesn't get to participate in
8 this, he turned this hearing over to you and you're going to
9 do it on your own, sorry.

10 MR. FINK: I have to treat him nicely so he finds me
11 a video camera, so, you know, I've got to --

12 THE COURT: Yeah. I don't. Yeah.

13 (Laughter.)

14 THE COURT: All right. I've signed the wages order.
15 Thank you. Thank you all for getting this done.

16 MR. FINK: Thank you, Your Honor.

17 THE COURT: I do think it's just essential that we
18 do as much as we can to keep the employees knowing that in a
19 second bankruptcy case they're still stable. I've signed that
20 order.

21 What do you want to take up next?

22 MR. BARR: Thank you, Your Honor.

23 Sorry, Moshe.

24 So it's Matt Barr. I think the only one today, just
25 given the importance of it also would be the NOL motion, the

1 net operating losses motion which are (glitch in the audio).

2 (Pause in the proceedings.)

3 THE COURT: All right. Who do we have from
4 917-806-5259?

5 MS. LIOU: That's correct. Good afternoon, Your
6 Honor. Jessica Liou from Weil Gotshal & Manges, co-counsel
7 for the Debtors.

8 THE COURT: Tell me your last name again, please.

9 MS. LIOU: It's Liou, L-I-O-U.

10 THE COURT: Thank you, Ms. Liou. And, Ms. Liou, no
11 camera for you either? The Weil Gotshal firm is not springing
12 for that, huh?

13 MS. LIOU: No, not today, but next time I'll be more
14 prepared to appear.

15 THE COURT: All right. So, Mr. Dane, be sure these
16 cameras don't hit your bill.

17 Go ahead, please, Ms. Liou.

18 MS. LIOU: All right. Your Honor, the last item on
19 the agenda for today is Item Number 10. That was the motion
20 filed at Docket Number 8, that is the Debtor's emergency
21 motion. Quickly going through this motion, the Debtors are
22 seeking to protect the potential value of their time
23 attributes, including net operating losses that have been
24 carried forward and other tax reasons.

25 Just going through the motion, the Debtors have in

1 excess of \$ \$170 million in estimated federal NOLs, and \$460
2 million of estimated business expense carried forward. These
3 are valuable assets of the estates, and if a change were to
4 occur, or one goes back to production and claim without the
5 (indiscernible) monitoring these valuable assets could be
6 (glitch in the audio).

7 The motion seeks to put in place certain
8 (indiscernible) procedures that provide the Debtors an
9 opportunity to monitor the trading in the Debtor's common
10 stock and also a stockholder's (indiscernible) election to
11 claim the production. And the features are very plan vanilla,
12 something you would see in over 90 percent of the cases with
13 large Debtors where they keep the release.

14 Parties seeking to (indiscernible), the insurance
15 for a claimed deduction will be required to provide 20
16 business days' notice to the Debtors. And the Debtors would
17 have 15 business days to object or decide that given the
18 insurance of the Debtors to consent to such a trade or a
19 claiming of a regular stock reduction.

20 If, however, the Debtors choose to retract and
21 there's ability for the parties to go before the Court and
22 have the matter heard before the Court. A substantial stock
23 holder subject and one of the provisions is any stock holder
24 that would -- that currently holds 4.75 percent (glitch in the
25 audio) would end up owning 4.75 percent of the stock. A

1 majority stock holder subject to the notice provisions related
2 to (indiscernible) stock deductions would be any stock holder
3 that holds 47.5 percent or more.

4 We did receive some minor comments from the US
5 Trustee's office, which we've put into the proposed interim
6 order. (Glitch in the audio) comments we have taken and just
7 to highlight for Your Honor, the two changes relate to
8 Paragraph 2 in the interim order. We added a sentence at the
9 end of the paragraph that clarify that any party-in-interest
10 may request emergency relief from procedure. And that is
11 common, but we've incorporated the change to Paragraph 6 about
12 the third line down. We clarified that the interim order
13 would be provided to not only registered holders, but also
14 non-holders of common stock.

15 And with that we believe that any (glitch in the
16 audio) protecting these regarding the value of the Debtors'
17 estates, and (glitch in the audio) and all the reasons
18 discussed we would ask that the Court approve this motion.

19 THE COURT: So, Ms. Liou, it's one thing to ask me
20 to restrict people from buying something that they don't have
21 a property interest in, it's another to ask me to restrict
22 people from selling something that they do have a property
23 interest in. So with respect to notice, due process notice,
24 can you tell me which shareholders you have, how many do you
25 have, that are at 4.75 percent or greater who would be

1 affected by this order?

2 MS. LIOU: Your Honor, we believe we have roughly
3 three shareholders that would be impacted, and all three of
4 them we can easily get the notice to, they actually -- they
5 are current board members of the company.

6 THE COURT: So if there's --

7 MS. LIOU: (Glitch in the audio).

8 THE COURT: -- if they are all three current board
9 members, did they approve the filing of this motion as the
10 board?

11 MS. LIOU: Yes, they did.

12 THE COURT: Yeah, then I think that's pretty good
13 notice to them. So that was my worry --

14 MS. LIOU: Yes.

15 THE COURT: -- was due process notice. Okay.

16 Let me ask if there's anyone that objects to this
17 relief.

18 (No audible response.)

19 THE COURT: All right. Given that the people who
20 are affected by this have authorized the filing of this as
21 members of the Board of Directors, I think due process is, in
22 fact, satisfied and I have no concerns doing this on the first
23 day. Due process matters if you're going to affect somebody's
24 property rights.

25 In terms of restricting people from buying interest

1 in a company in bankruptcy, I really don't have much
2 hesitation about notice, I just want to be sure that the
3 notices are all going to be put up. And I assume this will
4 hit -- will you all be doing an 8K so that people will know
5 about it?

6 MS. LIOU: Yes, the company (glitch in the audio),
7 so I don't believe an 8K is necessary. But, Your Honor, I
8 actually do want to clarify for the Record that we're not
9 restricting people from taking any action, we're just
10 requiring they provide notice to us for these procedures. And
11 to the extent that the Debtors don't consent, there could
12 later be a restriction for (glitch in the audio) or a court
13 order issued by you (glitch in the audio).

14 THE COURT: No, I think you are restricting people
15 from doing something. If you tell somebody you can't sell
16 your stock for 20 days, I mean unless you're going to
17 guarantee to them that you're going to honor any losses they
18 have, then you're potentially hurting those people and they
19 have a right to notice. But --

20 MS. LIOU: That's true, Your Honor.

21 THE COURT: -- I want to be sure you get notice out
22 to anybody that's going to be selling it so that they are
23 obliged to tell their buyers what's happening. So how are you
24 going to give notice -- you're right, you're not public so
25 this isn't going to be a normal 8K, how are people going to

1 know --

2 MS. LIOU: Right. So on that --

3 THE COURT: -- that they can't buy the stock?

4 MS. LIOU: Right. So, Your Honor, in Paragraph 6 we
5 do provide not only for our whole service with instructions
6 that go down to the beneficial holders of common stock. There
7 are also publications.

8 THE COURT: All right.

9 (Pause in the proceedings.)

10 THE COURT: All right. I'm going to continue the
11 balances. I understand that from the Debtors' point of view
12 we're okay doing this. I'm continuing the balance of the
13 matters till 8:00 a.m. in the morning to allow parties-in-
14 interest to organize any opposition that they might have to
15 the requested relief. That will put us in sort of a normal
16 frame of first day motions.

17 Mr. Perez, you apologized to me at the beginning of
18 the hearing for the shortened notice. And that is necessary.
19 I mean you were working hard and you have a complicate, very
20 complicated deal you were putting together. As I told you at
21 the beginning of the hearing, I read this stuff and I know I
22 didn't absorb it all just going through the first read. It's
23 hard. And so I had problem that things are happening at the
24 last minute. I just want to protect people's rights to come
25 in and objection to it. So I'm glad that you all can wait

1 till 8:00 in the morning to finish the rest of the things.

2 I hope, Mr. Barr, the technology issues didn't
3 terribly interfere with your ability to participate, but
4 storms happen and so we just all have to deal with it.

5 Mr. Dane --

6 MR. DANE: Yes, sir.

7 THE COURT: -- do you have anything you need to add
8 or comment on, do you have any questions about what we're
9 doing or why things were occurring today as they were?

10 MR. DANE: (No audible response.)

11 THE COURT: I think your line remains open,
12 Mr. Dane.

13 MR. DANE: Thank you, Your Honor. I don't, I just
14 wanted to thank everyone very much for their time today.
15 Things have been very challenging period (glitch in the audio)
16 and our employees are supposed to be dealing with the
17 (indiscernible) and professionals, and if we had stakeholders.
18 I particularly want to express our appreciation to the folks
19 at Apache, and I want to echo Ms. Russell's comments about the
20 talent over there and the dialogue in which we were able to
21 engage.

22 And then just lastly, Your Honor, if I could have
23 one more moment, I just wanted to send a quick message to our
24 employees at Fieldwood.

25 THE COURT: Go right ahead.

1 MR. DANE: Thank you. So we're fortunate that we
2 had some time this morning to hold a town hall with our
3 employees and explain our structuring. I think Mr. Fink did
4 an excellent job of describing the employees as life blood of
5 the company, because we do have a group of talented employees
6 that are hard working and dedicated at Fieldwood.

7 My main message that I want to reiterate here for
8 Your Honor, for our team, is first and foremost we stress that
9 it's absolutely critical that we continue to focus on safe
10 operations and what we like to call flawless execution. We
11 have a very challenging business. These needs are absolutely
12 remain paramount in the eyes of all of our employees and we
13 really ask that -- we didn't want this process to distract
14 from keeping ourselves as safe as possible.

15 Secondly, we talked about the fact that a couple of
16 our main objectives during our restructuring is to, one,
17 preserve jobs, and also have entities that would be able to
18 continue as a going concern, even if some of those entities
19 look different than Fieldwood today.

20 And as Your Honor mentioned, this is obviously a
21 very complex case, it has a number of uncertainties, but it
22 was recommended as the executive leadership team to making a
23 very active and open and transparent dialogue with our
24 employees. So I wanted to thank Your Honor again for time
25 today, and I want to remind our employees one more time to

1 continue being as safe as possible in everything that they do.

2 THE COURT: Mr. Dane, what a great comment. Thank
3 you.

4 All right. I'm going to go ahead and adjourn the
5 Fieldwood hearings till 8:00 o'clock in the morning. And
6 we're going to start our 4:00 o'clock hearings. If you all
7 would, you can just hang up because I'm going to leave all the
8 technology connected up for the 4:00 o'clock hearings.

9 Thank you.

10 MR. PEREZ: Thank you, Your Honor.

11 THE COURT: Thank you.

12 MR. BARR: Thank you.

13 (Hearing adjourned at 4:09 p.m.)

14 * * * * *

15 *I certify that the foregoing is a correct transcript*
16 *to the best of my ability due to the condition of the*
17 *electronic sound recording of the telephonic proceedings in*
18 *the above-entitled matter.*

19 /S./ MARY D. HENRY

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